

TOWNSHIP OF BUTLER
BRANCH COUNTY, MICHIGAN

AUDIT REPORT

MARCH 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

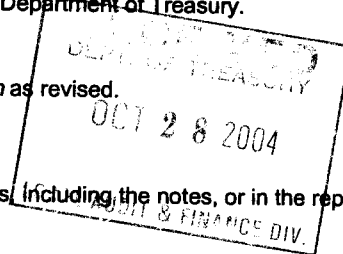
Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name BUTLER TOWNSHIP	County BRANCH
Audit Date 3-31-04	Opinion Date 10-23-04	Date Accountant Report Submitted to State: 10-27-04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Banley Hodslime + Company			
Street Address 479 E Chicago St PO Box 215		City Jonesville	State MI
Accountant Signature Gregory Banley		ZIP 49250	Date 10-27-04

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Bailey, Hodshire
& Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

479 E. CHICAGO STREET
P.O. BOX 215
JONESVILLE, MI 49250

PHONE: (517) 849-2410
FAX: (517) 849-2493
E-MAIL: BAILEYCPA@QCNET.NET

INDEPENDENT AUDITOR'S REPORT

To the Supervisor and
Members of the Township Board
Township of Butler
Quincy, Michigan

We have audited the accompanying general purpose financial statements of the Township of Butler as of March 31, 2004, and for the year then ended as listed in the table of contents. These general purpose financial statements are the responsibility of the Township management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The scope of our examination did not include verification of the fund balances at April 1, 2003. We are, therefore, unable to express an opinion on the accompanying statements of fund balance.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to audit the April 1, 2003, fund balances, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Butler, as of March 31, 2004, and the results of its operations and cash flows of its non-expendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Township of Butler. The information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Respectfully submitted,

Bailey, Hodshire & Company, P.C.

Jonesville, Michigan
October 23, 2004

TOWNSHIP OF BUTLER
COMBINED BALANCE SHEET-ALL FUND TYPES
AND ACCOUNT GROUPS
MARCH 31, 2004

	Governmental <u>Fund Types</u>	Fiduciary <u>Fund Types</u>	Account <u>Group</u>	Total (Memo <u>Only</u>)
	General <u>Fund</u>	Trust & <u>Agency</u>	General Fixed <u>Assets</u>	
ASSETS				
Cash	\$ 62,078	\$ 353	\$ 0	\$ 62,431
Investments	0	3,500	0	3,500
Taxes receivable	3,366	0	0	3,366
Fixed assets	<u>0</u>	<u>0</u>	<u>154,161</u>	<u>154,161</u>
Total assets	<u>\$ 65,444</u>	<u>\$ 3,853</u>	<u>\$ 154,161</u>	<u>\$ 223,458</u>
LIABILITIES	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
FUND BALANCES				
Undesignated	\$ 65,444	\$ 0	\$ 0	\$ 65,444
Reserved for cemetery care	0	3,853	0	3,853
Investment in general fixed assets	<u>0</u>	<u>0</u>	<u>154,161</u>	<u>154,161</u>
Total fund balances	<u>\$ 65,444</u>	<u>\$ 3,853</u>	<u>\$ 154,161</u>	<u>\$ 223,458</u>
Total liabilities and fund balances	<u>\$ 65,444</u>	<u>\$ 3,853</u>	<u>\$ 154,161</u>	<u>\$ 223,458</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF BUTLER
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED MARCH 31, 2004

	General Fund
REVENUE	
Property taxes	\$ 22,263
Tax administration fees	5,935
State shared revenue	95,740
Charges for services	3,640
Interest income	168
Reimbursements and refunds	1,509
Other	<u>1,652</u>
Total revenue	<u>\$ 130,907</u>
EXPENDITURES	
General government	\$ 55,834
Public safety	67,912
Public works	<u>39,541</u>
Total expenditures	<u>\$ 163,287</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	\$ (32,380)
FUND BALANCE - April 1, 2003	<u>97,824</u>
FUND BALANCE - March 31, 2004	<u><u>\$ 65,444</u></u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF BUTLER
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>	Over (Under) <u>Budget</u>
REVENUE			
Property taxes	\$ 20,975	\$ 22,263	\$ 1,288
Tax administration fees	6,965	5,935	(1,030)
State shared revenue	100,500	95,740	(4,760)
Charges for services	2,600	3,640	1,040
Interest income	300	168	(132)
Reimbursements and refunds	0	1,509	1,509
Other	<u>0</u>	<u>1,652</u>	<u>1,652</u>
Total Revenue	<u>\$ 131,340</u>	<u>\$ 130,907</u>	<u>\$ (433)</u>
EXPENDITURES			
General government			
Supervisor	\$ 7,000	\$ 6,617	\$ (383)
Clerk	8,750	7,815	(935)
Treasurer	10,250	9,089	(1,161)
Assessor	8,500	8,190	(310)
Trustees	5,000	5,385	385
Board of review	1,000	597	(403)
Township board	13,000	9,911	(3,089)
Township hall	2,500	2,063	(437)
Elections	2,000	0	(2,000)
Cemetery	<u>7,500</u>	<u>6,167</u>	<u>(1,333)</u>
Total general government	<u>\$ 65,500</u>	<u>\$ 55,834</u>	<u>\$ (9,666)</u>
Public safety			
Fire services contracts	\$ 33,000	\$ 20,412	\$ (12,588)
Capital outlay	<u>47,500</u>	<u>47,500</u>	<u>0</u>
Total public safety	<u>\$ 80,500</u>	<u>\$ 67,912</u>	<u>\$ (12,588)</u>
Public works			
Drains	\$ 1,250	\$ 1,250	\$ 0
Roads	<u>40,000</u>	<u>38,291</u>	<u>(1,709)</u>
Total public works	<u>\$ 41,250</u>	<u>\$ 39,541</u>	<u>\$ (1,709)</u>
Total expenditures	<u>\$ 187,250</u>	<u>\$ 163,287</u>	<u>\$ (23,963)</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	\$ (55,910)	\$ (32,380)	\$ 23,530
FUND BALANCE - April 1, 2003	<u>93,843</u>	<u>97,824</u>	<u>3,981</u>
FUND BALANCE - March 31, 2004	<u>\$ 37,933</u>	<u>\$ 65,444</u>	<u>\$ 27,511</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF BUTLER
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN
FUND BALANCE - NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED MARCH 31, 2004

	Fiduciary <u>Fund Type</u> Cemetery Perpetual <u>Care Fund</u>
OPERATING REVENUE	\$ 0
OPERATING EXPENSES	
Flowers	_____ 63
OPERATING INCOME (LOSS)	\$ (63)
NON-OPERATING REVENUE (EXPENSES)	
Interest income	_____ 138
NET INCOME	\$ 75
FUND BALANCE - April 1, 2003	_____ 3,778
FUND BALANCE - March 31, 2004	\$ <u>3,853</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF BUTLER
STATEMENT OF CASH FLOWS
NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED MARCH 31, 2004

	Fiduciary <u>Fund Type</u> Cemetery Perpetual <u>Care Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income (loss)	\$ (63)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Non-operating revenue (expense)	_____ 138
Net cash provided (used) by operating activities	\$ 75
CASH AND CASH EQUIVALENTS - April 1, 2003	_____ 278
CASH AND CASH EQUIVALENTS - March 31, 2004	\$ <u>353</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF BUTLER
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Township of Butler is located in Branch County, Michigan, with a population of approximately 1,362 and a 2003 total taxable value of approximately \$27,225,000. It is governed by a 5-member board with a supervisor as its head. As required by generally accepted accounting principles, these financial statements present all fund types and account groups that are controlled by or dependent on the Township Board of Trustees.

Basis of Presentation

The accounts of the Township are organized on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The various funds and account groups of the Township of Butler are as follows:

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

FIDUCIARY FUNDS

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

ACCOUNT GROUPS

General Fixed Assets Group of Accounts - This account group presents fixed assets of the Township utilized in its general operations.

Total columns on the combined statements are captioned "memo only" to indicate that they are presented only to aid in financial analysis. Interfund eliminations have not been made in the aggregation of this data; therefore, it is not comparable to a consolidation.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types are presented using the flow of current financial resources measurement focus. With this measurement focus, operating statements present increases and decreases in net current assets, and unreserved fund balance is a measure of available spendable resources.

The governmental fund types use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recognized when susceptible to accrual (i.e. when it is "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Township considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred.

Property taxes, State revenue sharing, interest, and special assessments are susceptible to accrual. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Other receipts become measurable and available when cash is received by the Township and are recognized as revenue at that time.

TOWNSHIP OF BUTLER
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Data

The Township adopted a budget for the General Fund on the modified accrual basis. Once approved, the Township Board may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Encumbrance accounting is not used, and all annual appropriations lapse at fiscal year-end. The amended budget is presented in these financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Assets, Liabilities, and Fund Equity

Cash and investments are reported at cost. For purposes of the statement of cash flows, the Township considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Fixed assets are accounted for at cost, or if the cost is not practicably determinable, at estimated cost. Donated fixed assets are recorded at their estimated fair value at the time received. No depreciation is provided on general fixed assets. The Township has elected not to report public domain or infrastructure fixed assets that are immovable and of value only to the Township government.

Revenue, Expenditures, and Expenses

Property tax revenue is normally recognized in the amount of taxes levied.

2. CASH AND INVESTMENTS

The Township's bank deposits consist of the following at March 31, 2004:

Checking and savings accounts	\$ 62,431
Certificates of deposit	<u>3,500</u>
Total	<u>\$ 65,931</u>

The carrying amount of the Township's bank deposits was \$65,931 and the bank's balance was \$66,943 at March 31, 2004. The entire bank balance was covered by federal depository insurance since the total was less than \$100,000.

The Township's investments are categorized in the following table to give an indication of the level of custodial risk assumed by the Township at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the bank's or dealer's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the bank or dealer, or by its trust department or agent but not in the Township's name.

	<u>GASB Category</u>			<u>Carrying</u>	<u>Market</u>
	<u>#1</u>	<u>#2</u>	<u>#3</u>	<u>Amount</u>	<u>Value</u>
Certificates of Deposit	\$ 3,500	0	0	<u>\$ 3,500</u>	<u>\$ 3,500</u>

TOWNSHIP OF BUTLER
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

2. CASH AND INVESTMENTS (continued)

State statutes authorize the Township to invest funds in one or more of the following: (a) bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States; (b) certificates of deposit, savings accounts, deposit accounts, or depository receipts of a Federally insured financial institution which maintains a principal office or branch office in the state of Michigan; (c) commercial paper rated within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase; (d) United States government or Federal agency obligation repurchase agreements; (e) banker's acceptance of United States banks; (f) obligations of the state of Michigan or any of its political subdivisions that are rated as investment grade by not less than one standard rating service; (g) mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles which are legal for investment by a public corporation; (h) obligations described above if purchased through an interlocal agreement under the Urban Cooperation's Act of 1967; (i) investment pools organized under the Surplus Funds Investment Pool Act, 1982; (j) investment pools organized under the Local Government Investment Pool Act, 1985. As of March 31, 2004, the Township's investments are in accordance with statutory authority.

3. PROPERTY TAXES

Real estate and personal property taxes are recorded as revenue in an amount equal to the total taxes levied. There are no provisions made for possible uncollectible taxes. The total levy for 2003 was .8159 mills, all allocated to the General Fund. Township properties are assessed as of December 31 (the lien date), taxes levied December 1 of the succeeding year and due without interest to March 1. After March 1, the delinquent taxes real portion are turned over to the county treasurer for collection. The personal property taxes continue to be collected by the Township Treasurer.

4. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in fixed assets follows:

	Balance 4/1/03	Additions	Deductions	Balance 3/31/04
Land	\$ 8,750	\$ 0	\$ 0	\$ 8,750
Building	58,078	0	0	58,078
Equipment	<u>39,833</u>	<u>47,500</u>	<u>0</u>	<u>87,333</u>
Totals	<u>\$ 106,661</u>	<u>\$ 47,500</u>	<u>\$ 0</u>	<u>\$ 154,161</u>

5. UNEMPLOYMENT TAXES

The Township is a reimbursing employer to the Michigan Unemployment Insurance Agency and as such is responsible to pay the Agency for those benefits paid and charged to its account. As of March 31, appropriate liabilities have been recorded for all claims paid by the Agency. However, no provision has been made for future payments that might result from claims in process or not filed.

6. PENSION PLAN

The Township maintains a defined contribution pension plan for elected officials. The Township officials must have attained 18 years of age, with no minimum service requirements for full vesting. Employee contributions are not required, but may be made voluntarily.

TOWNSHIP OF BUTLER
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

6. PENSION PLAN (continued)

The Township is required to make annual contributions to the plan based on percentages at different compensation levels. Total covered payroll under the plan for the year ended March 31, 2004, was \$22,135 and total contributions were \$4,243.

7. RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Township has purchased commercial insurance for each of these areas of risk. There has been no significant reduction in insurance coverages, and settled claims have not exceeded the amount of insurance coverage for the current year nor the three prior years.

SUPPLEMENTARY INFORMATION

TOWNSHIP OF BUTLER
COMBINING BALANCE SHEET
ALL FIDUCIARY FUND TYPES
MARCH 31, 2004

	Nonexpendable <u>Trust Fund</u> Cemetery Perpetual <u>Care Fund</u>	Agency <u>Fund</u> Current Tax <u>Collection Fund</u>	Totals (Memorandum Only)
ASSETS			
Cash	\$ 353	\$ 0	\$ 353
Investments	<u>3,500</u>	<u>0</u>	<u>3,500</u>
Total assets	<u>\$ 3,853</u>	<u>\$ 0</u>	<u>\$ 3,853</u>
LIABILITIES AND FUND BALANCES			
Liabilities	\$ 0	\$ 0	\$ 0
Fund balances			
Designated for cemetery care	<u>3,853</u>	<u>0</u>	<u>3,853</u>
Total liabilities and fund balances	<u>\$ 3,853</u>	<u>\$ 0</u>	<u>\$ 3,853</u>

The accompanying notes are an integral part of this statement.

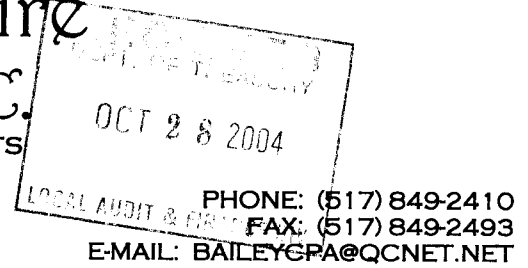
TOWNSHIP OF BUTLER
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
CURRENT TAX COLLECTION FUND
FOR THE YEAR ENDED MARCH 31, 2004

	Balance <u>April 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>March 31, 2004</u>
ASSETS				
Cash	\$ 0	\$ 529,911	\$ 529,911	\$ 0
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
LIABILITIES				
Due to Other Funds	\$ 0	\$ 26,722	\$ 26,722	\$ 0
Due to County	0	334,673	334,673	0
Due to Schools	<u>0</u>	<u>168,516</u>	<u>168,516</u>	<u>0</u>
	\$ 0	\$ 529,911	\$ 529,911	\$ 0
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The accompanying notes are an integral part of this statement.

Bailey, Hodshire
& Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

479 E. CHICAGO STREET
P.O. BOX 215
JONESVILLE, MI 49250



October 23, 2004

To the Supervisor and Members of the Township Board
Township of Butler
Quincy, Michigan

As a result of our audit of the financial statements of the Township of Butler as of and for the year ended March 31, 2004, we would like to make the following comments and recommendations:

1. The Internal Revenue Service requires the issuance of Form #1099 on payments to non-employees for services of \$600 or more. Payments to corporations do not need to be reported, except for payments to corporations that provide legal or medical services (regardless of amount). There were payments to vendors in calendar year 2003 for which the required forms were not filed.
2. As mentioned in previous audits, the Governmental Accounting Standards Board (GASB) has approved Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, which makes dramatic changes to the way local governments report their finances to the public.

For the first time the financial statements will include:

A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all of the township's activities, including reporting cost and depreciation on fixed assets (land, buildings, equipment, etc.)

The general provisions of GASB No. 34 apply to the Township of Butler for the fiscal year ending March 31, 2005; however that is a "non-audit" year, so the requirements should be implemented in the following year.

If you have any questions or if we can be of assistance regarding these recommendations, please contact our office.

Respectfully,

Bailey, Hodshire & Company, P.C.
Bailey, Hodshire & Company, P.C.
Certified Public Accountants